
Iowa Legislative Fiscal Bureau

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Des Moines, IA 50319
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Road Use Tax Fund Update

ISSUE

Senate File 481, Transportation and Capitals Appropriations Bill, funded the State Patrol from the "fifth penny" of the Motor Vehicle Use Tax in FY 1996. In prior years the State Patrol was funded directly from the Road Use Tax Fund. Senate File 481 also established a mechanism to fully fund the Patrol from the General Fund by FY 2000. These actions increased the amount of funding available for road construction and maintenance over the next five years. This **Issue Review** provides an update on the latest estimates and projections of the Road Use Tax Fund and the fiscal effect of SF 481 on the Fund.

AFFECTED AGENCIES

Department of Transportation (DOT)
State Highway Patrol
Local Governments

RELATED CODE SECTIONS

Chapter 312, Code of Iowa - Road Use Tax Fund
Section 423.24, Code of Iowa - Motor Vehicle Use Tax
Section 80.41, Code of Iowa - Highway Safety Patrol Fund

BACKGROUND

The Road Use Tax Fund is comprised of revenues from various sources. The major sources include: taxes on fuels; fees collected on vehicle registrations, titles, and driver's licenses; and use tax collected from the sale of motor vehicles and related equipment.

Except for administrative costs, all vehicle registration fees, license fees, and motor vehicle fuel taxes are constitutionally mandated to be spent exclusively for the construction, maintenance, and supervision of the State's public highways (Section 8, Article VII, Constitution of the State of Iowa). However, the use tax on motor vehicles and equipment is exempt from this constitutional mandate.

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All revenues deposited in the Road Use Tax Fund are distributed by formula to the Primary, Secondary, Farm-to-Market, and Municipal Road Funds which are used by State and local jurisdictions for the construction and maintenance of roads. However, before the revenues are distributed by formula, various allocations and appropriations are made from the Fund for programs, equipment purchases, and departments' operations (referred to as "off-the-top" allocations).

ACTUAL FY 1995 AND PROJECTED REVENUES AND ALLOCATIONS

The tables included in Attachment A illustrate the actual Road Use Tax Fund revenues and allocations for FY 1995 and projections to FY 2000. The projections are based on the DOT's forecasts; however, minor adjustments were made which take into consideration different rates of growth in State Patrol and DOT operational costs.

Table 1 shows the various revenues deposited in the Road Use Tax Fund. Of the total FY 1995 revenues, 44.9% were derived from fuel taxes, 33.6% from vehicle registration and title fees, 16.8% from use tax on motor vehicle sales, and 4.7% from other sources. Prior to the use tax revenue being deposited into the Fund, various programs and projects are funded which reduce the amount of revenue deposited into the Fund.

Table 2 shows the total distribution by component. All "off-the-top" allocations attributed to a particular road fund are added to the formula allocation for that respective fund. For example, the \$1.5 million "off-the-top" allocation for farm-to-market roads (Item No. 2 on Table 3) is added to the 8.0% formula distribution for the Farm-to-Market Road Fund (Item No. 3 on Table 4). In FY 1995, 42.7% of the revenue was deposited into the Primary Road Fund, 21.1% into the Secondary Road Fund, 6.7% to the Farm-to-Market Road Fund, 16.3% to the Municipal Road Fund, and 13.2% was distributed as "off-the-top" allocations for other individual programs and projects.

Table 3 shows the various "off-the-top" allocations and appropriations made from the Fund. Several "off-the-top" allocations are deposited directly into one of the four road funds, with the name of the road fund in parentheses. This table also indicates the amount of revenue available for distribution through the formula after the "off-the-top" allocations are subtracted from the receipts.

Table 4 shows the distribution of the net Road Use Tax Fund revenues available through the formula to the four road funds. Current law mandates that 47.5% of these revenues be deposited into the Primary Road Fund, 24.5% to the Secondary Road Fund, 8.0% to the Farm-to-Market Road Fund, and 20.0% to the Municipal Road Fund. (Section 312.2, Code of Iowa)

BUDGET IMPACT OF FUNDING STATE PATROL FROM THE USE TAX AND GENERAL FUND

From FY 1993 to FY 1995, 20.0% of the motor vehicle use tax (also referred to as the "fifth penny") was deposited into the GAAP Account to help eliminate the General Fund deficit. Beginning in FY 1996, the "fifth penny" will be used to fund the State Patrol and of the excess revenues, 50.0% is dedicated for the State's Commercial and Industrial Highway Network and 50.0% to the Road Use Tax Fund. This will provide an estimated \$38.0 million annually of additional revenue to the Road Use Tax Fund.

In addition, the General Assembly enacted a provision that would appropriate \$9.0 million from the General Fund in FY 1997, \$18.0 million in FY 1998, \$27.0 million in FY 1999, and \$36.0 million in FY 2000, or as much as is necessary, to fully fund the State Patrol from the General Fund.

This action, in conjunction with funding the State Patrol from the "fifth penny", will provide an estimated \$307.8 million of new revenue to the Road Use Tax Fund over the next five years (see Attachment B).

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ROAD USE TAX FUND FORMULA
(All Tables in Millions)

TABLE 1
RECEIPTS

	Actual FY 1995	Estimated FY 1996	Estimated FY 1997	Estimated FY 1998	Estimated FY 1999	Estimated FY 2000
Motor Vehicle Fuel Tax	\$ 355.00	\$ 366.65	\$ 376.70	\$ 380.90	\$ 385.20	\$ 389.60
Registration & Title Fees	265.85	268.60	275.70	282.70	289.70	296.70
Total Use Tax Receipts	192.02	193.38	204.25	215.25	226.63	238.13
1. 20% to GAAP Account	-38.40					
2. State Patrol Appropriation		-33.88	-25.88	-17.91	-9.96	
3. Commercial Industrial Network		-2.40	-7.49	-12.57	-17.68	-23.81
4. Underground Tank Loan	-15.30	-22.00	-27.00	-30.50	-34.00	-34.00
5. AFIS Mainframe - Public Safety	-0.20					
6. Renewable Fuels/Value-Added Products	-4.00	-4.00	-4.00	-4.00	-4.00	-4.00
7. Dept. of Inspection & Appeals	-0.92	-0.94	-0.94	-0.94	-0.94	-0.94
Net Use Tax	133.19	130.16	138.95	149.33	160.04	175.37
Underground Tank Fees	17.40	17.00	17.00	17.00	17.00	17.00
Driver's License Fees	9.97	15.50	11.00	9.60	10.40	14.90
County Driver's License Issuance Cost		-0.10	-0.10	-0.10	-0.10	-0.10
Interest	9.43	9.50	9.60	9.70	9.80	9.90
TOTAL RECEIPTS	\$ 790.84	\$ 807.31	\$ 828.85	\$ 849.13	\$ 872.04	\$ 903.37

TABLE 2
DISTRIBUTION BY COMPONENT

	Actual FY 1995	Estimated FY 1996	Estimated FY 1997	Estimated FY 1998	Estimated FY 1999	Estimated FY 2000
Primary Road Fund	\$ 337.40	\$ 363.23	\$ 373.16	\$ 382.22	\$ 392.50	\$ 406.73
Secondary Road Fund	166.63	179.92	185.04	189.71	195.01	202.34
Farm-To-Market Road Fund	53.21	57.54	59.18	60.67	62.37	64.73
Municipal Road Fund	129.28	140.10	144.20	147.93	152.17	158.08
Off-the-Top Allocations & Appropriations*	104.32	66.51	67.27	68.60	69.99	71.50
TOTAL DISTRIBUTIONS	\$ 790.84	\$ 807.31	\$ 828.85	\$ 849.13	\$ 872.04	\$ 903.37

* This total does not include the following off-the-top allocations: Primary, Farm-to-Market, Secondary, Municipal, and Secondary and Urban Road Funds. These off-the-top allocations were added to the respective fund.

TABLE 3
OFF-THE-TOP ALLOCATIONS FROM THE RUTF

	Actual FY 1995	Estimated FY 1996	Estimated FY 1997	Estimated FY 1998	Estimated FY 1999	Estimated FY 2000
Total Receipts	<u>\$ 790.84</u>	<u>\$ 807.31</u>	<u>\$ 828.85</u>	<u>\$ 849.13</u>	<u>\$ 872.04</u>	<u>\$ 903.37</u>
Statutory Allocations						
1. Primary (to Primary Rd. Fd.)	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50
2. Farm-to-Market (to Farm-to-Market Rd. Fd.)	1.50	1.50	1.50	1.50	1.50	1.50
3. Secondary (to Secondary Rd. Fd.)	8.26	8.30	8.40	8.50	8.60	8.70
4. RISE						
State (to Primary Rd. Fd.)	18.36	18.50	18.70	18.90	19.10	19.30
City	9.18	9.26	9.35	9.45	9.55	9.65
County	0.92	0.93	0.94	0.95	0.95	0.96
5. Functional Classification Board Expenses	0.01	0.01	0.01	0.01	0.01	0.01
6. Park & Institutional Roads	5.09	5.20	5.33	5.46	5.61	5.81
7. Secondary & Urban (to Primary Rd. Fd.)	0.50	0.50	0.50	0.50	0.50	0.50
8. Living Roadway	0.25	0.25	0.25	0.25	0.25	0.25
9. Railroad Crossing Surface Repair Fund	0.90	0.90	0.90	0.90	0.90	0.90
10. Railroad Crossing Safety Fund	0.70	0.70	0.70	0.70	0.70	0.70
11. Secondary Bridge	2.00	2.00	2.00	2.00	2.00	2.00
12. City Bridge	1.00	0.50	0.50	0.50	0.50	0.50
13. License Plate Production	4.75	2.00	2.00	2.00	2.00	2.00
14. Highway Safety Projects	3.88	4.00	4.10	4.20	4.31	4.47
15. Dr. License Suspension Service	0.23	0.23	0.23	0.23	0.23	0.23
16. Odometer Fraud Fund (Use Tax)	0.25	0.20	0.20	0.20	0.20	0.20
17. Public Transit (Use Tax)	7.72	7.74	8.17	8.61	9.07	9.53
18. Trails (Use Tax)	1.00	1.00	1.00	1.00	1.00	1.00
19. Motorcycle Educ. Fund (Use Tax)	0.21	0.20	0.20	0.20	0.20	0.20
20. County Treasurers Equipment	0.65	0.65	0.65	0.65	0.65	0.65
21. Fuel Tax Refunds	0.19	0.10	0.10	0.10	0.10	0.10
Total Statutory Allocations	<u>\$ 79.02</u>	<u>\$ 76.14</u>	<u>\$ 77.23</u>	<u>\$ 78.30</u>	<u>\$ 79.42</u>	<u>\$ 80.64</u>
Appropriations						
22. DOT Appropriation	\$ 27.99	\$ 28.92	\$ 29.46	\$ 30.02	\$ 30.59	\$ 31.17
23. Drivers Lic. Manufacture Costs	0.67	1.07	1.07	1.07	1.07	1.07
24. County Treasurers Pilot Project	0.07					
25. Scale Lot Improvements	0.65	0.57				
26. Dept. of Management Support Staff	0.06	0.06	0.06	0.06	0.06	0.06
27. State Patrol	32.88					
28. Patrol Post Improvements	2.66					
29. Patrol ADA Improvements	0.30					
30. Public Safety Communication Tower	0.10					
31. Dept. of Personnel Administration	0.05	0.05	0.05	0.05	0.05	0.05
Total Appropriations	<u>\$ 65.41</u>	<u>\$ 30.67</u>	<u>\$ 30.64</u>	<u>\$ 31.20</u>	<u>\$ 31.77</u>	<u>\$ 32.35</u>
TOTAL OFF-THE-TOP ALLOCATIONS	<u>\$ 144.44</u>	<u>\$ 106.81</u>	<u>\$ 107.87</u>	<u>\$ 109.50</u>	<u>\$ 111.19</u>	<u>\$ 113.00</u>
TOTAL AVAILABLE FOR DISTRIBUTION (Receipts less Off-the-Top Allocations)	<u>\$ 646.41</u>	<u>\$ 700.49</u>	<u>\$ 720.98</u>	<u>\$ 739.63</u>	<u>\$ 760.85</u>	<u>\$ 790.38</u>

TABLE 4
FORMULA DISTRIBUTION FROM THE RUTF

	Actual FY 1995	Estimated FY 1996	Estimated FY 1997	Estimated FY 1998	Estimated FY 1999	Estimated FY 2000
1. Primary Road Fund (47.5%)	\$ 307.04	\$ 332.73	\$ 342.46	\$ 351.32	\$ 361.40	\$ 375.43
2. Secondary Road Fund (24.5%)	158.37	171.62	176.64	181.21	186.41	193.64
3. Farm-to-Market Road Fund (8%)	51.71	56.04	57.68	59.17	60.87	63.23
4. Municipal Road Fund (20%)	129.28	140.10	144.20	147.93	152.17	158.08
TOTAL FORMULA DISTRIBUTION	\$ 646.41	\$ 700.49	\$ 720.98	\$ 739.63	\$ 760.85	\$ 790.38

Impact of SF 481 on Road Use Tax fund
(\$ in Millions)

	Est. FY 1996	Est. FY 1997	Est. FY 1998	Est. FY 1999	Est. FY 2000	TOTAL 5 Year Impact
20% of Motor Vehicle Use Tax	\$ 38.68	\$ 40.85	\$ 43.05	\$ 45.33	\$ 47.63	\$ 215.53
State Patrol Operations						
Motor Vehicle Use Tax Approp.	33.88	25.88	17.90	9.96	0.00	87.64
General Fund Appropriation	0.00	9.00	18.00	27.00	37.87	91.87
Subtotal	33.88	34.88	35.90	36.96	37.87	179.51
IDOP Administration (Gen. Fund)	0.09	0.09	0.09	0.09	0.09	0.44
Total Patrol Operations	33.97	34.97	35.99	37.05	37.96	179.95
Comm. & Industrial Network (50%)	2.40	7.48	12.57	17.68	23.81	63.94
Road Use Tax Fund (50%)	2.40	7.48	12.57	17.68	23.81	63.94
Subtotal	4.79	14.97	25.15	35.36	47.62	127.89
Total Revenue Increase	\$ 38.76	\$ 49.94	\$ 61.14	\$ 72.41	\$ 85.58	\$ 307.84